

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 REYKJAVIK 0844

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SUBJECT: ICELAND'S NATIONAL ELECTIONS: COALITION POSSIBILITIES AND
THE DEFENSE ISSUE

INTRODUCTION

1. NATIONAL ELECTIONS TAKE PLACE JUNE 30. ALTHOUGH NEW ELECTIONS WERE CALLED BECAUSE OF THE SERIOUS ECONOMIC STATE OF AFFAIRS, ALL THE POLITICAL PARTIES ARE MAKING DEFENSE THE NUMBER ONE ISSUE BECAUSE NONE OF THEM WANTS TO RISK SPELLING OUT HOW IT WOULD COPE WITH THE ECONOMIC MESS. SINCE THERE ARE NO PUBLIC OPINION POLLS IN ICELAND NOR NON-PARTISAN NEWSPAPERS, ONE CANNOT TELL WHETHER THE VOTER WILL MAKE HIS CHOICE ON THE DEFENSE ISSUE OR THE ECONOMIC ISSUE. WHATEVER THE BASIS OF HIS CHOICE, THE OUTCOME WILL BE INTERPRETED AS AN EXPRESSION OF THE ATTITUDE OF THE COUNTRY ON RETENTION OF THE BASE (IDF).

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2. OPTIMISM FOR AN EASY RIGHTIST VICTORY WHICH PREVAILED IN THE DYING DAYS OF THE RECENT GOVT AND IMMEDIATELY AFTER THE MAY 26 MUNICIPAL ELECTIONS HAS FADED. POLITICAL ANALYSTS ARE NOW PREDICTING A 30-30 LEFT/RIGHT PARLIAMENTARY STALEMATE, OR AT BEST A DIVISION OF 29-31 WITH IT BEING A TOSS-UP AS TO WHETHER THE PREVIOUS GOVT COALITION OR THE IP-SDP COMBINATION WILL OBTAIN THE LARGER TOTAL. THIRTY-TWO ARE REQUIRED FOR A PARLIAMENTARY MAJORITY. THIS VIEW IS SHARED IN PRIVATE BY LEADERSHIP OF THE IP AND SDP. IN A 30-30 OR A 29-31 SITUATION, AS LONG AS THE IP OBTAINS AN INCREASE OF AT LEAST ONE MEMBER OF PARLIAMENT (THAT IS, AT LEAST 23 COMPARED WITH CURRENT 22), IT WILL BE THE FIRST TO BE INVITED TO FORM THE NEW GOVT. ALL ANALYSTS AGREE THIS WILL HAPPEN. THIS TELEGRAM SETS FORTH THE ANNOUNCED POLICIES OF THE POLITICAL PARTIES ON THE DEFENSE ISSUE, PRESENTS COALITION POSSIBILITIES, AND COMMENTS ON HOW THESE COULD EFFECT RETENTION OF THE IDF.

POLITICAL PARTY POSITIONS ON IDF

3. ALL (REPEAT ALL) POLITICAL PARTIES HAVE CALLED FOR MODIFICATIONS IN THE CURRENT IDF ARRANGEMENT. THE INDEPENDENCE PARTY THE LEAST, BUT EVEN THIS PARTY MAKES DEMANDS, SUCH AS A REDUCTION OF MILITARY PERSONNEL (NUMBERS ALREADY KNOWN TO DEPT), INCREASED ICELANDIC MANPOWER PARTICIPATION, COMPLETE SEPARATION OF CIVIL AND MILITARY AIR TERMINALS, AND COMPLETE ON-BASE HOUSING FOR AMERICAN MILITARY PERSONNEL. THE IP HAS ALSO CALLED FOR DIRECT PARTICIPATION OF ICELANDIC COAST GUARD AND ICELANDIC POLICE IN DEFENSE ARRANGEMENTS SO AS TO INCREASE THE OVERALL DIRECT DEFENSE OF ICELAND. IN PRIVATE THE IP CHAIRMAN TOLD AMBASSADOR THAT HE WOULD ALSO INSIST THAT FIGHTER INTERCEPTOR SQUADRON (FIS) NOT BE WITHDRAWN OR REDUCED WITHOUT CONSENT OF GOVT. HE ALSO INTIMATED THAT HE WOULD EXPECT USG TO SEEK PRIOR APPROVAL OF GOVT BEFORE FURTHER SUBSTANTIAL REDUCTIONS OF MILITARY MANPOWER ARE MADE IN FUTURE ONCE THE INITIAL MILITARY COMPLEMENT IS AGREED UPON. IN RETURN FOR ALL THIS AN UNINPAIRED IDF CAN REMAIN AS LONG AS NATO DETERMINES NECESSARY.

4. SOCIAL DEMOCRATIC PARTY POSITION: NOT MATERIALLY DIFFERENT FROM IP'S PUBLICLY ANNOUNCED POLICY BUT EVENTUALLY WANTS ICELAND TO TAKE OVER ALL ACTIVITIES OF IDF BUT IN A CIVILIAN, CONFIDENTIAL

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UNARMED CAPACITY. THE LATTER TO BE REACHED IN THE DISTANT FUTURE AFTER A THOROUGH JOINT US-ICELANDIC FEASIBILITY STUDY IS UNDERTAKEN.

5. PROGRESSIVE PARTY: EVEN THOUGH THE RADICAL ANTI-IDF ELEMENTS HAVE DEFECTED FROM THE PARTY, THE MAJORITY REMAINING CANNOT WITH CONFIDENCE BE LABELED PRO-IDF. THE PARTY CANNOT DECIDE WHETHER IT WANTS TO BE RIGHT- OR LEFT-ORIENTED. AS A CONSEQUENCE IN THE

ELECTION CAMPAIGN IT IS CLAIMING TO BE A MODERATE MIDDLE-OF-THE-ROAD PARTY AND IS TRYING TO APPEAL BOTH TO THOSE VOTERS WHO WANT THE IDF TO LEAVE AND TO THOSE WHO ARE CONCERNED ABOUT LOSS OF DEFENSE FOR ICELAND. IT IS CLAIMING THAT THE GOI PROPOSALS SUBMITTED TO USG IN APRIL "WITH PERHAPS MODEST REVISIONS SUGGESTED BY THE USG" WILL FULFILL THE AIMS OF BOTH GROUPS. SHOULD THE PP IN THE ELECTION REGAIN LEADERSHIP, IT WOULD BE INTERPRETED BY THEM AS AN ANTI-IDF AND LEFT-ORICITATION MANDATE, INCLUDING BY PP MEMBERS WHO UP TO NOW HAVE SUPPORTED THE IDF. SHOULD PP BE IN PARLIAMENTARY OPPOSITION, WE CAN EXPECT AT LEAST ONE AND PERHAPS TWO PP MEMBERS TO BREAK WITH PARTY POLICY AND SUPPORT AN UNIMPAIRED IDF, AS IN PREVIOUS GOI SET-UP.

6. PEOPLE'S ALLIANCE: OPPOSED TO ICELANDIC MEMBERSHIP IN NATO AND RETENTION OF IDF IN ANY FORM. WANTS AN UNARMED, NEUTRAL ICELAND. IF IT IS TO ITS LONG-RUN ADVANTAGE, HOWEVER, IT WOULD NOT HESITATE TO MAKE SOME MODEST DEVIATIONS FROM THIS POSTURE. IT WOULD BY NO STRETCH OF THE IMAGINATION, HOWEVER, PROVIDE MUCH COMFORT FOR USG.

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7. OLL: THIS IS NO LONGER THE PARTY OF HANNIBAL VALDIMARSSON, BUT THE HAVEN OF THE ANTI-IDF DISSIDENTS OF THE PP AND SDP AND THE ANTI-IDF ELEMENTS OF THE OLD HANNIBALISTS UNDER THE CONTROL OF MAGNUS TORFI OLAFSSON AND OLAFUR RAGNAR GRIMSSON. ITS APPEAL IS TO THE ANTI-IDF VOTERS WHO ARE DISENCHANTED WITH ALL THE OLDER PARTIES BUT WHO ARE ALSO ANTI-COMMUNISTS AND PRO-NATO AND WHO THEREFORE WOULD NOT VOTE FOR THE PA. ONLY ONE LOYAL HANNIBALIST REMAINS IN THE OLL PARLIAMENTARY GROUP. HE IS KARVEL PALMASON, WHO IN THE LAST PARLIAMENT SIDED WITH THE PRO-IDF STANCE OF HANNIBAL VALDIMARSSON AND WHO IS NOW RUNNING IN VALDIMARSSON'S OLD DISTRICT, ALONG WITH VALDIMARSSON'S SON, WHO, UNFORTUNATELY, IS ANTI-IDF. THE OLL WILL SURVIVE OR DISAPPEAR ON THE STRENGTH OF THE VOTE FOR PALMASON. BECAUSE PALMASON IS A PROTEGE OF VALDIMARSSON, HE MOST LIKELY WILL WIN A SEAT. MAGNUS TORFI OLAFSSON, RAGNAR GRIMSSON, AND HANNIBAL'S SON (BECAUSE OF HIS RANK IN THE PARTY LIST) ARE EXPECTED TO BE DEFEATED. BECAUSE OF THE PECULIARITIES OF THE ICELANDIC ELECTORAL SYSTEM (EXPLAINED
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IN REYKJAVIK AIRGRAM A-34 OF JUNE 6) PALMASON NEEDS ONLY 600 VOTES TO WIN A SEAT IN HIS DISTRICT (COMPARED WITH ABOUT FIVE TIMES THAT NUMBER NEEDED BY A CANDIDATE RUNNING IN REYKJAVIK). THROUGH THE SYSTEM OF SUPPLEMENTARY VOTES, IF PALMASON RECEIVES THESE 600 VOTES, AND DESPITE THE DEFEAT OF MAGNUS TORFI OLAFSSON AND RAGNAR GRIMSSON IN THEIR DISTRICTS, PALMASON'S VICTORY WOULD ALSO ELECT THE LATTER TWO. IT IS THUS IRONIC THAT A VICTORY BY A MAN WHO HAS AT LEAST IN THE PAST FAVORED THE IDF WILL AUTOMATICALLY BRING INTO PARLIAMENT TWO ANTI-IDF MEMBERS. SHOULD THIS HAPPEN, IT IS FELT PALMASON WOULD THEN SWITCH TO ANTI-IDF FOR PARTY HARMONY, PUTTING THE OLL SOLIDLY IN THE ANTI-IDF CAMP.

8. FROM THE ABOVE RUNDOWN OF PARTY POSITIONS, IT CAN BE SEEN THAT THE GOVT WHICH WOULD MOST SUIT USG INTERESTS REMAINS AN IP-SDP COALITION, BUT, IT DOES NOT APPEAR THAT THIS COMBINATION WILL WIN SUFFICIENT SEATS TO FORM A GOVT. USG INTERESTS, HOWEVER, CAN STILL BE SAFEGUARDED AS LONG AS THE NEW GOVT IS HEADED BY THE IP. AS MENTIONED EARLIER THIS SEEMS TO BE A LOGICAL POSSIBILITY. THE FOLLOWING GOVT COMBINATIONS COULD RESULT.

COALITION POSSIBILITIES

9. IP-PP COALITION: THIS WOULD BE A VERY STRONG COALITION PROVIDING ABOUT 38-40 SEATS. IT WILL, HOWEVER, INITIALLY BE DIFFICULT TO BRING ABOUT BECAUSE OF THE LONG-STANDING PERSONAL ANIMOSITY BETWEEN THE IP CHAIRMAN GEIR HALLGRIMSSON AND PP CHAIRMAN OLAFUR JOHANNESSEN. THERE WILL BE GREATER OPPOSITION WITHIN THE IP THAN WITHIN THE PP TO SUCH A COALITION BECAUSE OF

THE TRADITIONAL ANTAGONISM BETWEEN PRIVATE INDUSTRY, WHICH IS THE BACKBONE OF THE IP, AND THE COOPERATIVES, WHICH ARE THE BACKBONE OF THE PP. THE FEAR OF BEING OUT OF GOVT ANOTHER DOZEN YEARS WILL BE A FORCE TO MODERATE OPPOSITION WITHIN THE PP. SHOULD IT BE POSSIBLE TO BRING ABOUT THIS COMBINATION, THE PP WOULD NOT FIND IT DIFFICULT TO MOVE CLOSE TO THE IP'S PUBLICLY ANNOUNCED POSITION ON THE IDF BUT WOULD PROBABLY EXACT A COMMITMENT FROM THE IP THAT A CONTINUOUS REVIEW OF THE MILITARY NUMBERS BE UNDERTAKEN WITH THE ULTIMATE AIM OF CIVILIANIZATION OVER AN UNSPECIFIED PERIOD OF TIME, OR A COMMITMENT THAT THE DEFENSE AGREEMENT WILL BE SUBJECTED TO A FORMAL REVIEW AFTER FIVE YEARS. WE BELIEVE A SATISFACTORY ACCOMMODATION WITHOUT CONFIDENTIAL

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IMPAIRMENT TO THE IDF CAN BE MADE WITH THIS KIND OF COALITION.

10. IP-PP-SDP: THIS WOULD BE THE STRONGEST COALITION POSSIBLE BECAUSE IT WOULD PROVIDE A SUBSTANTIAL LABOR CONTENT TO THE COALITION AS RESULT OF THE SWITCH OF BJORN JONSSON, HEAD OF THE ICELANDIC FEDERATION OF LABOR, FROM THE OLL TO THE SDP. THE IP WOULD ACTIVELY SEEK SUCH A COALITION. THE CHAIRMAN OF SDP GYLFI GISLASON TOLD THE AMBASSADOR RECENTLY THAT HE WOULD NOT JOIN SUCH A COALITION BECAUSE IT WOULD BE CONTRARY TO THE LONG-RUN INTERESTS OF THE SDP. THE MUNICIPAL ELECTIONS ALMOST ANNIHILATED THE SDP. THERE IS ALSO FEELING WITHIN SDP THAT BY CONTINUOUS ASSOCIATION WITH IP THEY ARE OPENING THEMSELVES TO ACCUSATION OF CHOOSING TO BE A RIGHTIST PARTY. GISLASON ALSO STATED THAT SDP COULD NOT THIS TIME TOLERATE HAVING THE PA BEING THE SOLE LABOR REPRESENTATIVE IN OPPOSITION, THE DIFFERENCE BEING THAT THE SDP WOULD NOT BE NEEDED IN AN IP-PP SET-UP TO FORM A GOVT. IF SDP BECOMES AN OPPOSITION PARTY, GISLASON SAID IT WOULD GO IT ALONE AND NOT JOIN A COMMON FRONT WITH PA. ON THE IDF ISSUE, GISLASON SAID USG COULD CONTINUE TO COUNT ON STRONG PRO-IDF SUPPORT WHETHER SDP IS IN OR OUT OF THE COALITION. IT IS OUR OPINION, HOWEVER, THAT IF THE FOREIGN MINISTERSHIP WERE OFFERED TO GISLASON, WHICH HAS BEEN HIS AMBITION, HE COULD BE PERSUADED TO JOIN THE COALITION.

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11. IP-PA COALITION: ALTHOUGH LESS LIKELY THAN ABOVE POSSIBILITIES, IT IS NOT AS FAR-FETCHED AS IT SOUNDS. SUCH A COALITION EXISTED IN 1944 WHEN THE COUNTRY HAD JUST DECLARED ITS INDEPENDENCE. THERE WOULD BE SENTIMENT WITHIN THE BUSINESS ELEMENTS OF IP FOR THIS COMBINATION AS A MEANS OF DAMPENING LABOR UNREST WHICH THE PA COULD CREATE IF IN THE OPPOSITION. HISTORY BEARS OUT FACT THAT THERE HAS BEEN LESS LABOR UNREST THESE PAST THREE YEARS WHEN PA WAS IN GOVT THAN IN PREVIOUS YEARS WHEN THEY WERE IN OPPOSITION. GIVEN THE ECONOMIC MESS THE COUNTRY IS IN, ICELAND MIGHT WELCOME A TEMPORARY MARRIAGE OF CONVENIENCES, AS THIS WOULD BE. MAGNUS KJARTANSSON MIGHT FIND SUCH A COALITION HARD TO SWALLOW, BUT LUDVIG JOSEFSSON AND THE MAJORITY OF THE PA COULD CONCEIVABLY GO ALONG WITH THIS COMBINATION FOR THE OPPORTUNITY IT WOULD GIVE THE COMMUNIST MOVEMENT FOR INFILTRATING THE BUREAUCRACY. EXPERIENCE OF THE MOST RECENT GOVT SHOWS THAT THE PA'S DESIRE TO REMAIN IN GOVT HAS BEEN STRONGER THAN ADHERENCE TO PRINCIPLE. SUCH A COALITION WOULD NOT LAST LONG, BUT LONG ENOUGH
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TO SET IN TRAIN REQUIRED ECONOMIC REMEDIES. THE IP, OF COURSE, WOULD HAVE TO MAKE CONCESSIONS ON THE DEFENSE ISSUE. WE CAN FORESEE THE IP SUGGESTING, AND THE PA AGREEING, THAT A NATIONAL REFERENDUM ON THE IDF ISSUE TAKE PLACE AFTER THE ECONOMIC CRISIS IS PAST. THE IP WOULD RATIONALIZE THAT THE 55,000 PEOPLE WHO SIGNED THE PRO-DEFENSE PETITION LAST WINTER WILL DO A REPEAT IN A FORMAL REFERENDUM. THE PHRASING OF SUCH A REFERENDUM, OF

COURSE, WOULD BE SIGNIFICANT, BUT REFERENDUMS ARE UNPREDICTABLE. THE IP MAY BE OVERLY OPTIMISTIC ON RESULTS OF A REFERENDUM SINCE CONDITIONS PREVAILING LATER IN THE YEAR MAY NOT BE AS FAVORABLE AS EXISTED WHEN THE 55,000-NOME PETITION WAS INITIATED. AN IP-PA COALITION WOULD, THEREFORE, BE CAUSE FOR SOME APPREHENSION BY USG. WITHOUT A REFERENDUM THE IDF ISSUE UNDER A IP-PA GOVT COULD DRAG ON AS IT HAS DONE THESE PAST THREE YEARS. ALTHOUGH TIME HAS WORKED IN OUR FAVOR DURING THIS PERIOD, IT MAY NOT BE THE CASE IF THE ISSUE REMAINS UNRESOLVED MUCH LONGER.

12. A UNIVERSAL COALITION OF ALL PARTIES: THIS COULD ONLY BE A PROVISIONAL GOVT BROUGHT ABOUT BY DIFFICULTIES EXPERIENCED BY THE IP IN FORMING A GOVT BEFORE THE 1100TH ANNIVERSARY CELEBRATIONS ON JULY 28. PRIDE AND A SENSE OF HISTORY COULD BRING THIS ABOUT FOR THE JULY 28TH CEREMONIES. IT WOULD PROBABLY BE DISSOLVED SOON AFTER AND THE IP WOULD THEN CONTINUE ITS SEARCH FOR A PERMANENT COALITION. THERE WOULD HAVE TO BE AN AGREEMENT THAT NO PARLIAMENTARY ACTION ON BASIC ISSUES WOULD TAKE PLACE, INCLUDING THE IDF.

13. POLITICAL ANALYSTS RULE OUT THE OLL JOINING IN A COALITION HEADED BY IP BECAUSE OF THE OPPOSITION OF MAGNUS TORFI OLAFSSON TO SUC AN ASSOCIATION. AS A NEW PARTY THE OLL IS TRYING TO BUILD A LEFTIST BASE AND WOULD BE VULNERABLE TO ATTACK FROM WITHIN.

14. THE ABOVE-MENTIONED POSSIBILITIES ASSUME THE IP WILL GAIN AND WILL FORM THE NEW GOVT. FOR THE SAKE OF COMPLETENESS, WE SHOULD MENTION THAT IF THE POLITICAL ANALYSTS ARE WRING AND EACH SIDE ELECTS THE IDENTICAL NUMBER AS IN 1971, IT WOULD BE CONSIDERED A SWING TO THE LEFT AND THE PP WOULD AGAIN BE ASKED TO FORM THE GOVT. THE DAYS OF THE IDF WOULD THEN BE SHORT AND THE BEST USG COULD HOPE FOR WOULD BE RIGID ADHERENCE TO THE STATED PROVISIONS OF THE GOI PROPOSALS OF LAST APRIL. ANOTHER POSSIBILITY WOULD BE THE SDP JOINING THIS COALITION, THUS LEAVING

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THE IP THE ONLY PARTY IN OPPOSITION. IF THIS WERE TO HAPPEN, WHICH SOME THINK IS A POSSIBILITY, ALBEIT REMOTE, THE USG WOULD BE WORSE OFF THAN IF THE SDP WERE IN OPPOSITION WITH THE IP.

15. SHOULD THE IP FAIL TO BE ABLE TO FORM A GOVT, THE PRESIDENT WOULD HAVE TO TURN TO THE PP. SOME CLAIM THE IP, HAVING FAILED, WOULD JOIN IN A PP-IP COALITION DOMINATED BY THE PP. THIS MIGHT BE PALATABLE TO GUNNER THORODDSEN, (CHAIRMAN OF THE IP PARLIAMENTARY GROUP) AND HIS FOLLOWERS BUT WOULD PROBABLY MEAN GEIR HALLGRIMSSON WOULD HAVE TO OR WOULD WANT TO RESIGN HIS IP CHAIRMANSHIP. IN SUCH A COALITION THE BASIC ELEMENTS OF THE IDF WOULD CONTINUE TO BE UNIMPAIRED.

16. THERE IS ALWAYS A LAST POSSIBILITY THAT FAILING TO FORM A

GOVT, THE IP WOULD CHOOSE, ALONG WITH THE SDP, TO REMAIN IN
OPPOSITION AND TOLERATE A MINORITY GOVT HEADED BY THE PP.
IN THESE CIRCUMSTANCES IDF INTERESTS CAN ALSO BE SAFEGUARDED.

CONCLUSION

17. INDICATIONS ARE THAT THERE WILL BE A LEFT/RIGHT STALEMATE,
AND THAT BOTH THE IP AND THE PA WILL GAIN IN POPULAR VOTE AND
IN SEATS. IF LOGIC PREVAILS, THE IP WILL FORM THE NEW GOVT.
NEITHER POLITICAL PARTIES NOR THE ELECTORATE WANT ANOTHER ELECTION
IN 1974, HAVING GONE THROUGH TWO THIS YEAR. THE IMPETUS OF THE
POLITICAL PARTIES TO COOPERATE, THEREFORE, WILL BE STRONG.
IF THE ANALYSIS IN THIS TELEGRAM HAS SOME VALIDITY, WE CAN
EXPECT THE IDF BASIC FUNCTIONS TO BE UNIMPAIRED BUT WITH EXPENSIVE
MODIFICATIONS.
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